Testimony of Fred Yoder
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Good morning. Chairman Duncan and Ranking Member Costello, thank you for the opportunity to testify on the Corps of Engineers Draft Integrated Feasibility Report and Programmatic Environmental Impact Statement for the Upper Mississippi River-Illinois Waterway System Navigation Feasibility Study.

My name is Fred Yoder. I am Chairman of the Board of the National Corn Growers Association (NCGA). I am from Plain City, Ohio, where I grow corn, soybeans and wheat. NCGA was founded in 1957 and represents more than 33,000 dues-paying members from 48 states. NCGA also represents the interests of the more than 300,000 farmers who contribute to corn checkoff programs in 19 states.

Corn Growers and the Corn Industry

NCGA's mission is to create and increase opportunities for corn growers in a changing world and to enhance corn's profitability and use. Corn is one the world's most versatile crops. For centuries, it has been a staple of everyday life, serving as a source of food, energy and currency. From the early maize crops first cultivated by the Mayans and Incas to today's advanced hybrids that resist pests and chemicals, corn is the heart of agriculture.

Agriculture is the world's largest industry. Around the world, more people are involved in agriculture than all other occupations combined. While there are less than two million Americans actively involved in production agriculture, one out of every six jobs is tied to the industry. Agriculture supports every aspect of our economy.

Today, advances in pest-resistant seeds, highly mechanized equipment and modern grain storage and transportation systems allow U.S. farmers to produce higher quality crops on less ground than ever before. According to the U.S. Department of Agriculture (USDA), in 1950 there were more than 5.3 million farmers utilizing 1.1 billion acres. Today, less than two million farmers operate on 950 million acres.

Since the 1950s, crop yields have increased by more than 55 percent. Meanwhile, the percentage of income Americans spend on food has declined. In 2003, corn growers planted more than 78 million acres of corn, producing about 10 billion bushels of grain. Corn is grown in all 50 states, but 88 percent of production is centered in the Midwest.

Without knowing it, the average American consumer uses products derived from corn many times a day. You may fill your car up with ethanol-blended fuel. That soda at lunch was likely sweetened with a corn sweetener. Maybe you have a pillow or

comforter made from corn fiber. And the pot roast for dinner was most likely corn-fed beef.

For many, corn is just a common consumer product – a cornflake, chip or corn-on-the-cob. In reality, human consumption is a small percentage of overall corn use.

In the United States, 57 percent of the corn crop is fed to animals, helping livestock producers deliver affordable, high-quality meat products to consumers. The livestock industry is the corn grower's leading customer. In 2003, beef cattle were fed more than 1.4 billion bushels of corn, while hogs consumed 1.1 billion bushels and poultry another 1.3 billion bushels.

Producers around the world continue to explore value-added opportunities for corn. One of the most successful efforts has been the growth of the ethanol market. Eleven percent of U.S. corn production goes into ethanol, while another 19 percent or 1.9 billion bushels is exported. The remainder is used for food, seed and industrial uses.

Thousands of products are derived from corn. The emerging bioproducts industry creates new uses for corn and its byproducts. Solvents, cleaners, deicers and plastics are just a handful of the hundreds of renewable, corn-based products we use every day.

Corn refining also is a prime example of value-added agriculture. Refining separates corn into its various components – starch, oil, protein and fiber – and converts them into higher-value products. Each year, more than 1.4 billion bushels of corn are refined into a wide variety of food, industrial and feed products.

Why the Inland Waterways are Important to Farmers

Lock modernization is a critical priority for NCGA this year. NCGA has long-supported upgrading the locks on the Upper Mississippi River System. It is our national transportation system that has allowed farmers to be competitive in the world market and to prosper. Corn growers support robust investments in rail, highway and inland waterway infrastructure. Unfortunately, investment in the inland waterway system has not kept pace with needs and is slowly being starved.

U.S. farmers need efficient transportation networks. Farmers move their crops and receive their inputs by barge, rail and truck. The competition among these modes of transportation helps farmers receive the best price for their crops, meet their customers' demand for timely delivery of products and successfully compete with foreign producers. Without the competition that comes from access to efficient, alternative transportation methods, farmers can pay up to 30 percent more to transport their crops.

Efficient waterway transportation affects domestic grain prices. Even though not all corn growers ship to the Mississippi River, all growers are impacted by it. Every day, the price of grain a farmer receives at his home market is based on the price of grain that moves on the Mississippi River to the export markets. If Congress does not reinvest in

the inland waterway system, all farmers will suffer as transportation costs will increase, export opportunities will decline and prices at the home market will fall.

Efficient waterway transportation systems increase U.S. exports. Every year, more than one billion bushels of grain (about 60 percent of all grain exports) move to export markets via the Mississippi River. The American farmer's international competitiveness has always hinged on the ability to move crops to market. The lower the cost of transportation; the lower the cost of U.S. grain on the world market; thus, the more grain the U.S. is able to sell.

Market Outlook

About one out of every five rows of corn in the United States is exported, and exports of value-added corn and co-products add to the importance of foreign markets for U.S. corn growers. In 2003, U.S. corn exports totaled 51 million metric tons with a value of $4.7 billion. This represents approximately 20 percent of total domestic production, with the U.S. accounting for nearly 65 percent of worldwide production last year. Our two closest competitors in the international marketplace are Argentina and China with 12 and 10 percent of world production respectively.

I am pleased to report USDA recently estimated U.S. corn exports would increase in the 2003/2004 marketing year to 2.05 million bushels (52.08 million metric tons). U.S. corn exports are up 50 million bushels, largely because of less competition from China. Although global coarse grain use is up 8 million tons, global coarse grain imports are down just over one million tons. U.S. and Argentine corn exports are expected to expand while those of China and Brazil decline.

Across the country, corn farmers are enjoying the benefits of a commodity boom after several years of just making it. These ups and downs are common in agriculture. The critics who claim the Corps's future traffic forecasts are unreliable and unrealistic actually are the ones who have trouble with reality. The Corps, with the help of USDA did an excellent job of accounting for the uncertainty inherent in forecasting future agricultural and related transportation traffic trends.

Agriculture is notorious for its uncertainty. Crops and farm income are dependent like no other industry on weather, politics and market trends beyond our control or ability to estimate. The forecasts used in the preferred alternative are reliable and based on tried and true methods. Throughout the preferred alternative there is careful analysis of the possible scenarios that consistent with USDA's baseline projections. USDA's forecasts are used by farmers and the agriculture industry around the world.

Evans Study – Economic Impact of Increased Congestion

In 2002, NCGA conducted a study titled the Determination of the Economic Impact of Increased Congestion on the Upper Mississippi River and Illinois River Waterway. It was conducted by Dr. Michael K. Evans of Evans, Carroll & Associates and Northwestern University.

Dr. Evans constructed an econometric model of world corn imports, exports and production and used it to calculate the increase in the export prices of corn at the Gulf ports, the reduction in corn prices received by farmers and the decline in U.S. corn exports and production for a given increase in river barge freight rates for agricultural commodities. Similar calculations were made for soybeans.

The model was applied for four different sets of assumptions. First, Dr. Evans used the Corps of Engineers original traffic forecasts of corn and soybean tonnage for 2020. Under this assumption, freight rates would rise approximately 65 percent by 2020. The model also used revised forecasts of corn and soybean tonnage, using different elasticity figures.

Under these assumptions, freight rates would rise an estimated 41.7 percent and 40.6 percent respectively. The net impact on employment and tax receipts would be substantially lower. The fourth set of assumptions were based on older Corps of Engineers forecasts of tonnage and an earlier estimate of a 75 percent increase in water freight rates by 2020. The results provided today are based on the standard case of a 65 percent increase in agricultural freight rates.

The major finding of the study was that increased congestion would increase river transportation costs by 17 cents per bushel. Export prices would increase by 13 cents per bushel; farm gate earnings would decrease 3.6 cents per bushel and transportation and distribution facility margins would decrease by 4 cents per bushel.

Farm income would fall $562 million; $246 million would come from reduced exports and $316 million from lower prices and decreased domestic demand. Without improvements, the nation would lose 30,000 jobs; 14,550 in corn-growing states and 5,625 in nonfarm states. The remainder, 9,375jobs, would be lost due to the impact on the federal budget. Evans estimates that increased congestion would increase the federal deficit by $1.5 billion.

(See attached handout.)

Preferred Alternative

NCGA would like to commend the U.S. Army Corps of Engineers for its Draft Integrated Feasibility Report and Programmatic Environmental Impact Statement for the Upper Mississippi River-Illinois Waterway System Navigation Feasibility Study, otherwise known as the preferred alternative.

NCGA believes the preferred alternative will meet the needs of corn growers across the United States for an efficient and modern national transportation system, fostering competition between transportation modes and increasing access to important export markets. The preferred alternative also meets the economic needs of the Midwest and the environmental needs of the Mississippi River system. It is a balanced, reasonable approach to a national transportation problem that will address the challenges of today

while ensuring the United States retains a competitive advantage in the international marketplace.

NCGA supports the Corps's phased-in approach to address congestion on the navigation system where it exists today. By focusing on the next 15 years, the Corps will be able to more easily manage the various components of the preferred alternative from preconstruction engineering and design, to construction, mitigation and restoration. In addition, by segmenting the phases of the plan, the Corps will be able to continually update its studies and methodologies to better understand the system and meet congressional directives and public expectations.

NCGA has a few concerns and suggestions. First, NCGA strongly encourages the Corps to keep management and funding for the navigation system separate from the ecosystem restoration component. The Corps should not recommend any funding scheme that directly ties restoration to navigation. The Corps has 70 years of experience with lock construction and navigation system management. Major ecosystem restoration is a relatively new function. While there are obvious linkages between the two, neither should be directly tied nor allowed to negatively impact the other.

Navigation should be managed so not to limit its future potential for growth. Projections for future demand in the world market illustrate the necessity of an efficient, reliable inland waterway transportation system. Expected global demand will be fueled by population growth, rising incomes, changes in dietary habits and growing energy needs. According to USDA, corn exports are forecast to grow 53 percent over the next decade. Total agricultural exports for FY 2004 are expected to be a record $61.5 billion, a $5.3 billion increase over last year.

NCGA generally supports the ecosystem restoration portion of the preferred alternative. Corn growers recognize that navigation has impacted the environment and support mitigation and restoration efforts where appropriate. However, this restoration program should be implemented in a thoughtful, carefully planned manner. As this is the first time the Corps will implement such a broad, system-wide restoration plan, it should continually evaluate its progress and the impact the restoration activities are having on the landscape and navigation. The Corps also should ensure resources are not wasted but are targeted towards projects of the highest value, providing the greatest public benefit.

One final concern is the concept of adaptive management. In theory, project management should adapt to changing conditions and needs. In practice, it could be a way around well-established rules and practices with the purpose of implementing top-down solutions. NCGA does not expect the Corps will use adaptive management in this manner. However, to ensure adaptive management is implemented as intended, NCGA encourages the Corps to continue to work closely with stakeholders and maintain its general policy and practice of openness.

Conclusion
An efficient transportation system is essential for the U.S. agriculture sector to remain competitive. International competition from countries such as Argentina and Brazil are lowering profit margins and increasing the importance of quick and efficient delivery of bulk commodities. The only major advantage our farmers have over competitors in Brazil is the inland waterway system. Without it, we will not remain a reliable supplier in the international marketplace.

More than 70 years ago, Congress had the foresight to invest in the Upper Mississippi River system. The results were spectacular, and the United States became the bread basket for the world. We implore you to show this same prescience so the agriculture sector can remain competitive in the future. Countless studies and years of investigation prove that the public investment is not only justified but needed. We cannot afford to wait any longer. If we fail to move forward, the world will look elsewhere for basic food commodities. That is something corn growers and farmers across the country cannot accept.

Thank you again for the opportunity to testify. I would be happy to respond to any questions.